

PROPOSED RESOLUTION

Resolution W-5063
DWA

AGENDA ID #14280 (Rev. 1)
ITEM #7

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5063
November 5, 2015

RESOLUTION

(RES. W-5063) SAN GABRIEL VALLEY WATER COMPANY, ORDER
AUTHORIZING A RATE BASE OFFSET REVENUE INCREASE,
PRODUCING AN INCREASE IN GROSS ANNUAL REVENUE OF \$297,349
or 0.44% TO ITS LOS ANGELES COUNTY (LA) DIVISION.

SUMMARY

By Advice Letter (AL) 456, filed on February 6, 2015, San Gabriel Valley Water Company (San Gabriel) seeks a rate base offset of \$1,855,799 for the construction of a reservoir and site improvements which would cause an increase in annual revenue of \$295,856 or 0.43% in the LA Division.

This resolution grants the requested rate base offset at the Division of Water and Audit's (DWA) calculated annual revenue increase over current revenue of \$297,349 or 0.44%. This increase will not result in a rate of return greater than that last authorized for San Gabriel in its LA Division.

BACKGROUND

San Gabriel requests authority under General Order (GO) 96-B, Water Industry Rules 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$295,856, or 0.43%, for a rate base offset of \$1,855,799 associated with construction of a new reservoir and site improvements at Plant G6 in the City of Monterey Park.

In San Gabriel's last General Rate Case, Decision (D.) 11-11-018 approved a settlement between San Gabriel and the Office of Ratepayer Advocates (ORA). In the settlement, San Gabriel and ORA agreed that San Gabriel could build a reservoir at Plant G6, in a certain configuration and with a certain capacity. They further agreed that San Gabriel could file a Tier 2 advice letter to recover costs for this construction, up to a cap of \$1,630,000. The main components of the project, as agreed to by San Gabriel and ORA,

PROPOSED RESOLUTION

**Resolution W-5063
DWA**

November 5, 2015 (Rev. 1)

were to consist of the construction of a new 500,000 gallon water storage reservoir and the recoating of the adjacent existing 600,000 gallon reservoir.

By AL 442, filed on June 17, 2014, and pursuant to D.11-11-018, San Gabriel submitted the Tier 2 advice letter demonstrating a total cost of \$1,855,799 for Plant G6. However, San Gabriel only requested the total estimated cost cap of \$1,630,000 be added to rate base, which would increase the annual revenue by \$263,537 or 0.4%. When reviewed by DWA, it was discovered that the recoating of the existing reservoir was not performed, and the existing reservoir was not, therefore, used and useful. In other words, the project that San Gabriel presented in AL 442 was materially different than the project described by the settlement and by D.11-11-018. In light of this, on June 24, 2014, DWA rejected AL 442 as being filed inappropriately under Tier 2, because San Gabriel had not met the conditions of the settlement and of D.11-11-018. DWA's disposition letter allowed San Gabriel to file a new AL once the entire project had been completed and was used and useful.

San Gabriel determined that conditions had changed significantly after the Commission issued D.11-11-018, such that it could not economically complete the Plant G6 project as described by the settlement and the Decision. It therefore chose not to complete that project, but instead to complete a substantially revised project, and to file a new Tier 3 advice letter, AL 456, in order to allow the Commission to review the new project scope and additional project costs.

NOTICE AND PROTEST

AL 456 was served in accordance with Water Industry Rule 4.1 of GO 96-B. A notice of the proposed rate increase was mailed to customers on February 6, 2015.

On February 26, 2015, DWA received a protest from ORA. ORA protested on the grounds that San Gabriel's request to reflect in rates \$1,855,799 was in violation of statute or Commission order. Citing Section 4.3.2 of D.11-11-018, ORA stated that the construction cost had a cap of \$1,630,000. ORA recommended that San Gabriel be allowed to recover only \$1,470,000, which is the cap amount less the estimated cost of \$160,000 for recoating the existing reservoir.

A response by San Gabriel to ORA's protest was received on March 6, 2015. San Gabriel responded by stating that the approved settlement agreement between San Gabriel and ORA in D.11-11-018 did not specify a cap for Plant G6. San Gabriel argued instead that

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

the \$1,630,000 was merely an estimate, and that the Decision did not limit San Gabriel's recovery to that amount, but allowed it to recover its actual costs. Therefore, San Gabriel believed that ORA's protest should be disregarded and the \$1,855,799 be allowed into rates.

DISCUSSION

As explained below, we find that the project presented by San Gabriel in AL 456 differs materially from the project described in the settlement and by D.11-11-018. This is, for all intents and purposes, a new project. We will first, therefore, set forth the scope of the project presented by San Gabriel in AL 456, and explain how it differs from the project described in D.11-11-018, such that it no longer makes sense to consider them the same project. Second, we will find that the new project will increase public safety and reliability, and that San Gabriel's costs were reasonable. Finally, in order to provide guidance to San Gabriel in the future, we will address San Gabriel's response to ORA's protest.

1. The project presented in AL 456 is not the same project described in D.11-11-018

When San Gabriel and ORA signed their settlement agreement, and when the Commission adopted that settlement in D.11-11-018, the reservoir project that San Gabriel planned to build at Plant G6 looked very different than what we are presented with today.

At the time of D.11-11-018, Plant G6 was supposed to hold 1.1 million gallons of water. The existing reservoir had a capacity of 0.6 million gallons, and the proposed new reservoir would hold 0.5 million gallons. But after inspections and engineering investigations by two separate engineering firms, it was discovered that the existing reservoir had numerous safety and structural deficiencies, which required major modifications and replacements. A seismic evaluation by one of the firms also found the reservoir to be unanchored, signifying a high risk of damage in an event of an earthquake. In order to fix these deficiencies, the reservoir would need to be anchored, and the water surface elevation would need to be lowered by 5.7 feet, which would decrease the reservoir's storage capacity by 100,000 gallons. Estimated costs to repair and renovate the existing reservoir would be similar to the costs of building a replacement reservoir. As a result of the high costs for modifications and loss of storage capacity, San Gabriel abandoned plans to recoat the existing reservoir. This decision by San Gabriel effectively changed Plant G6 from a 1.1 million gallon storage project to a

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

storage project holding 0.5 million gallons. That is not the project agreed to by the parties, or authorized by D.11-11-018.

We therefore agree with DWA that it would be inappropriate to treat the project presented here as having been authorized by D.11-11-018. This is a new project, not previously approved by the Commission, the disposition of which requires a Commission Resolution. A Resolution allows for a de novo review and audit of the reasonableness of project costs incurred before these costs are added to rate base and recoverable in rates. In this Resolution, we must therefore determine independently whether the costs incurred by San Gabriel to build the current project at Plant G6 are reasonable and in the public interest. We turn to that question now.

2. The costs incurred by San Gabriel are reasonable and in the public interest.

As noted above, in the settlement agreement, San Gabriel estimated that it could build a reservoir project with a capacity of 1.1 million gallons for about \$1.6 million. The new project has a capacity of 0.5 million gallons, but cost over \$1.8 million. At first blush, this seems unreasonable. But this is an unusual situation, and we are convinced that San Gabriel could not reasonably have foreseen these increased costs. Circumstances have changed enough since the original estimate that it would no longer be fair to hold San Gabriel to it. The costs incurred are reasonable and in the public interest.

To build the new reservoir, San Gabriel had to buy some residential property, which was accounted for in the settlement. But the property turned out to be considerably more expensive than either party had anticipated – though DWA finds, and we agree, that San Gabriel paid fair market value based on sales of similar properties in the area at the time. Having bought that property, San Gabriel needed to demolish an existing structure on the property, the cost of which was not accounted for in the settlement.

San Gabriel then learned that the new reservoir would need a significant amount of additional engineering work to make the new reservoir safe, also not accounted for in the settlement. First, the original design for the foundation of the reservoir was to construct a typical mat foundation that consisted of a concrete ring around the perimeter of the reservoir. However after an investigation and stability analysis by one of the engineering firms, the foundation design changed to cast-in-place concrete piles to meet building codes. This was due to the weight and location of the reservoir next to the top of a slope as well as the condition of the bedrock. As a result, the concrete piles cost \$181,900 more than the concrete ring foundation.

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

Second, the original design of the pipe installation to connect the reservoir to the distribution system was estimated and based on available data in 2010. It was subsequently determined that to prevent pipes from obstructing each other in a confined area, additional work was needed to relocate the piping from the existing reservoir and the new reservoir. The total cost of the pipe installation was \$120,481 higher than originally estimated. These changes also affected the paving and drainage components of the project, which increased the costs for those components as well.

DWA reviewed the reasonableness of the project expenditures based on the new scope of work involved as well as San Gabriel's procurement process and determined the expenditures to be reasonable. Bid proposals were examined by DWA to verify that the lowest bid was chosen for contracting work and invoices were reviewed to support the accuracy of Plant G6's costs. DWA confirmed that the requested cost recovery associated with the project did not exceed the authorized rate of return and that the project has been completed and is currently used and useful.

When the new Plant G6 was completed and placed into service on May 29, 2014, the actual cost of the project rose to \$1,855,799. DWA audited and reviewed the reasonableness of the revised project scope and costs.

Based on this review, DWA finds the actual cost to be just and reasonable and recommends approval of the requested rate base offset. We concur in DWA's findings. The project presented in AL 456, although smaller than the project described in D.11-11-018, will increase the reliability of San Gabriel's service, and the additional engineering work, above and beyond what was previously contemplated, will make the project safer. The actual cost for the new reservoir of \$1,855,799 should be added to rate base.

With the authorized return on rate base of 8.49%, the resulting revenue requirement increase calculated by San Gabriel is \$295,856 or 0.43% of the adopted revenue. In reviewing the calculations, DWA determined that the wrong adopted depreciation accrual rate for pumping structures was used. Instead, San Gabriel used the depreciation rate for treatment structures. After this correction is made, the revenue requirement increases to the recommended \$297,349 or 0.44%.

Accordingly, the recommended rates shown in Appendix A were increased by 0.44%. The monthly bill for a 5/8-inch metered customer using 14 Ccf will increase from \$59.42 to \$59.68, a \$0.26 difference. San Gabriel shall file a supplement to Advice Letter 456 incorporating the corrected rate schedules shown in Appendix A.

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

COMMENTS

Public Utilities Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Comments were first received from San Gabriel correcting the tariff sheets attached to Appendix A of the draft resolution. A water cost offset through AL 466-A was approved effective on July 1, 2015, increasing the quantity rates. San Gabriel updated the tariff sheets to reflect the most current quantity rates. DWA reviewed the calculations for accuracy and accepted the updated tariff sheets.

ORA was served a copy of Advice Letter 456 and a copy of this draft resolution. ORA filed comments in opposition of the draft resolution, but did not raise any substantive concerns with the actual costs of the revised G6 project. ORA claimed instead that approving this resolution would violate Public Utilities Code Section 1708, D.11-11-018, and the settlement agreement. After filing additional comments on the revised resolution, ORA also claimed that this resolution violates General Order (GO) 96-B and Standard Practice (SP) U-27-W. ORA stated that removing the cost cap agreed to in the settlement would defeat the purpose of settlement agreements and is unlawful without giving ORA proper notice and an opportunity to be heard.

San Gabriel responded to ORA's comments, arguing that the cost figures set forth in the settlement and in D.11-11-018 were not, in fact, cost caps, but mere estimates. San Gabriel stated, for example: "A plain reading of [the settlement] clearly shows that both ORA and San Gabriel intended the future advice letter incorporating this Plant G6 project into rates would be based on the actual cost to construct the facilities that were expected to be (not limited to) \$1,630,000." San Gabriel Reply to ORA Protest to AL 456, at p. 2 (emphasis in original).

Because this project is materially different than the project described in D.11-11-018, as explained above, we believe that ORA's protest misses the point. Based on ORA's comments, we have revised the draft resolution to clarify that our de novo review and audit of the new project costs in this Resolution are unrelated to the project scope and cost cap we authorized in D.11-11-018.

ORA raised the issue that this Resolution is in violation of GO 96-B Section 7.3.3 and SP U-27-W. As referred to by ORA, the three requirements to satisfy an advice letter

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

process for a rate base offset are: 1) the rate base offset was previously approved by the Commission in a decision or resolution; 2) the project scope is consistent with what the Commission approved; and 3) the Commission approval included a budget cap and the rate base offset request is at or below the budget cap. However these three requirements only need to be met if "a rate base offset will be disposed of under Tier 2" GO 96-B Section 7.3.3. Advice Letter 456 is filed as a Tier 3, not a Tier 2. As previously mentioned in the Background Section, San Gabriel originally filed an advice letter as a Tier 2 and was subsequently rejected by DWA because the second requirement was not met. The project scope is not consistent with what the Commission approved.

ORA claimed that San Gabriel should have filed a petition for modification of D.11-11-018 as stated in DWA's rejection letter of the Tier 2 advice letter. While a petition to modify is certainly the proper procedure, GO 96-B does not prohibit San Gabriel from filing the advice letter as a Tier 3. Again, a Tier 3, as opposed to a Tier 2, allows DWA to conduct a de nova review and audit of the project based on reasonableness and public interest before costs are added to rate base and recovered in rates.

Regarding SP U-27-W, ORA points out that Paragraph 22 states "Class A utilities may file a rate base offset only if authorized by decision." However, this language does not cite any Commission decision or ruling and therefore contains little weight. GO 96-B, the Commission order for filing and processing advice letters, provides no restriction on Class A's filing rate base offsets. Nevertheless, even if a Commission decision or ruling is found supporting Paragraph 22 of SP U-27-W, exceptions are allowed if "approved by the Director of DWA" SP U-27-W Paragraph 2.

Like ORA's protest, San Gabriel's response, which provides its competing interpretation of the cost figures set forth in D.11-11-018, is also fighting the wrong fight. We are troubled, however, by San Gabriel's response, which badly misstates the operative language both of the settlement and of D.11-11-018. We find it appropriate, therefore, to address San Gabriel's assertions, in order that they not similarly misstate our Decision in the future.

Section II.G of the settlement sets forth the parties' understanding with respect to capital projects. To be sure, the settlement does state that \$1,630,000 was the "estimated capital cost" of the Plant G6 project as it was then constituted, which might lend some support to San Gabriel's position – if it were not for the fact that the very next sentence of the settlement states: "The project cost sought for each of these projects through the Advice Letter process *shall not exceed* the estimated cost noted above." Settlement Agreement at

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

p. 17 (emphasis added). D.11-11-018 tracks that language exactly, explaining: "The settlement provides that San Gabriel may file advice letters to enter the actual costs associated with these [capital] projects, *not to exceed* the estimated amounts agreed upon in the settlement" D.11-11-018, *mimeo*, at p. 15 (emphasis added). And again: "[T]he settlement provides that the actual recorded costs of each of these projects, *not to exceed* the estimated amounts agreed upon in the settlement, may be placed into ratebase" D.11-11-018, *mimeo*, at p. 23 (emphasis added).

We believe that "not to exceed" means "not to exceed." San Gabriel cannot plausibly argue that either the settlement or the Decision that adopted it considered these costs mere estimates to be wished away at San Gabriel's decree. These figures are caps. Had the project described here not changed materially from the project described in the settlement, we would have held San Gabriel to the \$1,630,000 cap, increased actual costs or no. Should San Gabriel submit in the future Tier 2 advice letters to recover the costs of the other capital projects described in D.11-11-018, they should consider themselves bound by those caps as well.

Nor should San Gabriel construe this Resolution as an invitation to submit all "new" projects to the Commission in the future, ignoring altogether the project descriptions it submitted to the Commission in the settlement. The unusual change of circumstances presented here convinces us that this truly is a new project, not previously contemplated by the settling parties. But as a general matter, the projects presented in the settlement, and the costs associated with them, are what San Gabriel and ORA bargained for. We expect San Gabriel will keep its side of the bargain.

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

FINDINGS AND CONCLUSIONS

1. By Advice Letter 456 filed on February 6, 2015, San Gabriel Valley Water Company (San Gabriel) seeks a rate base offset of \$1,855,799 associated with the construction of a new reservoir and an annual revenue requirement increase of \$295,856 or 0.43% in its Los Angeles County Division.
2. In a settlement agreement, adopted by the Commission in Decision (D.) 11-11-018, San Gabriel and the Office of Ratepayer Advocates (ORA) agreed that San Gabriel could build a similar reservoir project for a cost not to exceed \$1,630,000, and that San Gabriel could seek to recover its costs through a Tier 2 advice letter.
3. As set forth in D.11-11-018, San Gabriel was to build one new reservoir, and to recoat an existing reservoir, for a total capacity of 1.1 million gallons of water.
4. Following adoption of the settlement, an unusual change in circumstances made it infeasible to recoat the old reservoir. San Gabriel accordingly abandoned the project described in D.11-11-018, and proposed a new, smaller project. The new project consists of one new reservoir with a capacity of 0.5 million gallons.
5. Due to an unusual change in circumstances, the cost of building the new reservoir proved higher than San Gabriel's original estimates. San Gabriel could not reasonably have anticipated the higher costs before beginning construction.
6. A correction in the depreciation accrual rate revised the revenue requirement increase to \$297,349 or 0.44%
7. The new reservoir is currently used and useful.
8. Based on an analysis by the Division of Water and Audits, the rate base offset of \$1,855,799 and the resulting revenue requirement increase of \$297,349 or 0.44% is found to be just and reasonable.
9. The rates recommended by the Division of Water and Audits (Appendix A) are reasonable and should be adopted.

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

THEREFORE, IT IS ORDERED THAT:

1. San Gabriel Valley Water Company is authorized to file a supplement to Advice Letter 456 incorporating the revised rate schedules attached to this resolution as Appendix A. The effective date of the revised schedules shall be five days after the date of filing.

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on November 5, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-1 Los Angeles County Tariff Area GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service, except for those Residential customers required to be served under Schedule LA-1C.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rate:

For all water delivered, per 100 cu. ft.	\$ 2.7548	(I)
---	-----------	-----

Service Charge:	Per Meter <u>Per Month</u>
-----------------	-------------------------------

For 5/8 x 3/4-inch meter	\$ 21.11	(I)
For 3/4-inch meter	31.66	
For 1-inch meter	52.75	
For 1-1/2-inch meter	105.52	
For 2-inch meter	168.83	
For 3-inch meter	316.54	
For 4-inch meter	527.56	
For 6-inch meter	1,052.00	
For 8-inch meter	1,680.00	
For 10-inch meter	2,429.00	
For 12-inch meter	3,480.00	
For 14-inch meter	4,640.00	(I)

(continued)

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-1 Los Angeles County Tariff Area GENERAL METERED SERVICE (continued)

RATES (continued)

Per Battery
Per Month

For two 2-inch meters	\$ 336.00	(I)
For three 2-inch meters	507.00	
For four 2-inch meters	676.00	
For two 3-inch meters	634.00	
For three 3-inch meters	950.00	
For two 4-inch meters	1,055.00	
For three 4-inch meters	1,583.00	
For one 8-inch meter, one 2-inch meter	1,855.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.0406 per Ccf is to be applied to the quantity rates for a 12-month period beginning on February 26, 2014 to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA). (D)
|
(D)
3. A surcharge of \$0.1308 per Ccf is to be applied to the quantity rates beginning on the effective date of Advice Letter 447 and ending on August 20, 2015 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.

(continued)

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-1C Los Angeles County Tariff Area GENERAL METERED SERVICE – CONSERVATION RATES

APPLICABILITY

Applicable to all metered Residential customers, excluding apartments, trailer parks, and any other facility in which Residential customers receive service through a master meter.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rate:

For the first 13 Ccf of water used, per 100 cu. ft.	\$ 2.5942	(I)
For all Ccf greater than 13 Ccf, per 100 cu. ft.	\$ 2.9511	(I)

Service Charge:

	Per Meter	
	Per Month	

For 5/8 x 3/4-inch meter	\$ 21.11	(I)
For 3/4-inch meter	31.66	
For 1-inch meter	52.75	
For 1-1/2-inch meter	105.52	
For 2-inch meter	168.83	
For 3-inch meter	316.54	(I)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
2. A surcredit of \$0.0406 per Ccf is to be applied to the quantity rates for a 12-month period beginning on February 26, 2014 to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA). (D) | (D)
3. A surcharge of \$0.1308 per Ccf is to be applied to the quantity rates beginning on the effective date of Advice Letter 447 and ending on August 20, 2015 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.
4. A surcharge of \$3.13 per month for a 12-month period beginning on December 3, 2014 is to be applied to amortize the undercollection in the Water Revenue Adjustment Mechanism (WRAM) Balancing Account.

(continued)

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-4 Los Angeles County Tariff Area PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to water service furnished to private fire systems and to private fire hydrants.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Service Charge:	Per Service Per Month
For each inch of diameter of service connection	\$ 13.95 (I)

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of the private fire service facilities.
2. The private fire service facilities shall be installed by the utility or under the utility's direction and shall be the sole property and subject to the control of the utility, with the right to alter, repair, replace and the right to remove upon discontinuance of service.
3. The minimum diameter for the private fire service connection will be 4 inches. The maximum diameter shall not be larger than the diameter of the water main to which the private fire service facilities are attached unless said main is circulating, in which case with the approval of the utility the maximum diameter may be larger by not more than 2 inches than the diameter of said circulating main.
4. If a water main of adequate size is not available adjacent to the premises to be served, then a new main from the nearest existing main of adequate size will be installed by the utility at the cost of the customer. Such cost shall not be subject to refund.
5. The private fire service facilities will include a detector check valve or other similar device acceptable to the utility which will indicate the use of water. The facilities may be located within the customer's premises or within public right of way adjacent thereto. Where located within the premises, the utility and its duly authorized agents shall have the right of ingress to and egress from the premises for all purposes related to said facilities. In the event the installation is solely a private fire hydrant facility, the requirement for a detector check valve or other similar device may be waived.

(continued)

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-6 Los Angeles County Tariff Area RECYCLED WATER METERED SERVICE

APPLICABILITY

Applicable to all recycled water metered service.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rate:

For all water delivered, per 100 cu. ft. \$ 2.3416 (I)

Service Charge: Per Meter
Per Month

For 5/8 x 3/4-inch meter	\$ 21.11	(I)
For 3/4-inch meter	31.66	
For 1-inch meter	52.75	
For 1-1/2-inch meter	105.52	
For 2-inch meter	168.83	
For 3-inch meter	316.54	
For 4-inch meter	527.56	
For 6-inch meter	1,052.00	
For 8-inch meter	1,680.00	
For 10-inch meter	2,429.00	
For 12-inch meter	3,480.00	
For 14-inch meter	4,640.00	(I)

(continued)

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-6 Los Angeles County Tariff Area RECYCLED WATER METERED SERVICE (continued)

RATES (continued)

Per Battery
Per Month

For two 2-inch meters	\$ 336.00	(I)
For three 2-inch meters	507.00	
For four 2-inch meters	676.00	
For two 3-inch meters	634.00	
For three 3-inch meters	950.00	
For two 4-inch meters	1,055.00	
For three 4-inch meters	1,583.00	
For one 8-inch meter, one 2-inch meter	1,855.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for reclaimed water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. The Quantity Rate is set at 85% of the Quantity Rate of Schedule No. LA-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
3. The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.
5. A surcredit of \$0.0406 per Ccf is to be applied to the quantity rates for a 12-month period beginning on February 26, 2014 to amortize the overcollection in the Cost of Capital Interim Rate Memorandum Account (CCIRMA). (D)
(D)
6. A surcharge of \$0.1308 per Ccf is to be applied to the quantity rates beginning on the effective date of Advice Letter 447 and ending on August 20, 2015 to amortize the undercollection in the California Alternative Rates for Water (CARW) Memorandum Account.

(continued)

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-9C Los Angeles County Tariff Area CONSTRUCTION AND TANK TRUCK SERVICE

APPLICABILITY

Applicable to temporary water service furnished for construction purposes and for water delivered to tank trucks from fire hydrants or other outlets.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Unit Rate

For sidewalk construction, per 100 sq. ft.	\$ 0.915	(I)
For street curb construction, per 100 lineal ft.	\$ 1.792	(I)
For trench settling, per lineal foot of section of trench 2 feet by 4 feet	\$ 0.066	
For sprinkling subgrade of street and roadway construction in application of oil or any form of patented oil paving or surfacing, or for rolling and settling subgrade, per 3,000 square feet of roadway	\$ 11.28	(I)
For compaction of fill, per cubic yard of fill material	\$ 0.108	
For water delivered to tank wagon or truck, per 100 gallons	\$ 0.285	(I)
Minimum Charge:		
For any service rendered under this schedule	\$ 47.86	(I)

SPECIAL CONDITIONS

1. An applicant wishing to obtain water deliveries under this schedule must first obtain a written permit from the utility.
2. Where water is to be obtained from public fire hydrants, a permit must be obtained from the fire protection district or other public agency having jurisdiction.
3. For other temporary uses the quantity of water used shall be estimated or metered by the utility. Charges for such water shall be at the quantity rate for General Metered Service applicable to the tariff area within which the water is delivered.
4. An applicant for service under this schedule must pay the utility in advance the net cost of installing and removing any facilities necessary to provide such service.

(continued)

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-9CL Los Angeles County Tariff Area SERVICE TO TRACT HOUSES DURING CONSTRUCTION

APPLICABILITY

Applicable to water service for house construction where houses are being constructed as part of a real estate development.

TERRITORY

Los Angeles County Division, Los Angeles County.

RATES

For each lot for the construction period \$ 16.58 (I)

SPECIAL CONDITIONS

1. This service is available only to real estate developers or builders who make application prior to installation of mains and services and who undertake the construction of houses as part of the development. At its option the utility may provide the service if application is made after mains and services have been installed.
2. Water service under this tariff schedule is only to be used for house construction. It does not include water use for landscaping or other tract improvement work.
3. When each house passes final inspection water service under this schedule will be terminated.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.

(continued)

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

Schedule No. LA-CARW Los Angeles County Tariff Area CALIFORNIA ALTERNATIVE RATES FOR WATER

APPLICABILITY

Applicable to residential domestic service to CARW households with a 1-inch or smaller meter, where the customer meets all the Special Conditions of this rate schedule.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rate (General):

For all water used, per 100 cu. ft.	\$ 2.7548	(I)
--	-----------	-----

Quantity Rate (Conservation):

For the first 13 Ccf used, per 100 cu. ft.	\$ 2.5942	(I)
For all Ccf greater than 13 Ccf per month, per 100 cu. ft.	\$ 2.9511	(I)

Service Charge:

	Per Meter Per Month	
For 5/8 x 3/4-inch meter	\$ 10.55	(I)
For 3/4-inch meter	15.83	
For 1-inch meter	26.38	(I)

SPECIAL CONDITIONS

1. CARW Household: A CARW Household is a household where the total gross income from all sources is less than shown on the table below based on the number of persons in the household. Total gross income shall include income from all sources, both taxable and non-taxable. Persons who are claimed as dependent on another person's income tax return are not eligible for this program.

No. of Persons In Household	Total Gross Annual Income
1	\$31,460
2	\$31,460
3	\$39,580
4	\$47,700
5	\$55,820

(continued)

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

PRELIMINARY STATEMENT

F. California Alternative Rates for Water (CARW) Memorandum Account For Los Angeles County Division

1. Purpose: The purpose of the memorandum account in each division is to track the costs of the program against the estimates reflected in rates, until sufficient experience with the CARW program is attained that such costs can be reliably forecast in a general rate case proceeding.
2. The following entries will be made monthly to the CARW memorandum Account in the Los Angeles County division:
 - a. The recorded reduction in billed Service Charge revenues for service provided under Schedule No. LA-CARW (debit).
 - b. Franchise fees and uncollectible account expense, based on 2a above and the CPUC-adopted rates for franchise fees and uncollectible accounts expense (credit).
 - c. CARW program costs of performing incremental activities which would not have been incurred absent the CARW program and which have not been reflected in authorized rates (debit).
 - d. One-twelfth of the annual CPUC-adopted revenue reduction for the CARW program as reflected in rates (credit).¹ These CPUC-adopted amounts are as follows:

<u>Effective</u>	<u>Annual Amount</u>	
July 2008	\$834,210	
November 2010	\$828,463	
November 2011	\$883,778	
July 2012	\$900,906	
April 2013	\$953,439	
July 2013	\$932,487	
XXX 2015	\$936,561	(N)

The above amounts will be proportionately adjusted when monthly service charges change.

- e. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15 (<http://www.federalreserve.gov/releases/H15/data/m/cp3m.txt>), or its successor publication (debit or credit).
3. The memorandum accounts will terminate when so ordered in a CPUC general rate case decision, at which time any remaining debit (undercollection) or credit (overcollection) balance will be amortized through a rate surcharge or surcredit.

¹ CPUC D.05-05-015 describes this item as a "debit" at page 5 of the decision. After further review, the company finds that this item will regularly be a credit, so it is being described as such in this tariff sheet.

(continued)

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

APPENDIX A San Gabriel Valley Water Company

PRELIMINARY STATEMENT

K. Water Revenue Adjustment Mechanism (WRAM) Memorandum Account For Los Angeles County Division

1. Purpose: The purpose of this memorandum account is to track the Quantity Rate revenues collected under Schedule LA-1C tiered rates against the revenues that would have been collected under a single block Quantity Rate.
2. The following entries will be made monthly to the WRAM memorandum Account in the Los Angeles County division:
 - a. The recorded revenues collected through the tiered Quantity Rate under Schedule No. LA-1C (debit).
 - b. The calculated revenues that would have been collected under a single block Quantity Rate for the same water usage as in 2a above (credit).
 - c. The CPUC-adopted Quantity Rates (\$/Ccf) to be used in calculating the revenues for 2a and 2b above are as follows:

<u>Effective Date</u>	<u>Single Block Rate</u>	0-13 Ccf/mo.	Over 13 Ccf/mo.	
		<u>Tier 1 Rate</u>	<u>Tier 2 Rate</u>	
July 1, 2012	\$2.5842	\$2.4208	\$2.7839	
April 1, 2013	\$2.5863	\$2.4228	\$2.7862	
July 1, 2013	\$2.5295	\$2.3696	\$2.7250	
July 25, 2013	\$2.6432	\$2.4833	\$2.8387	
January 28, 2015	\$2.6906	\$2.5307	\$2.8861	
July 1, 2015	\$2.7428	\$2.5829	\$2.9383	
XXX, 2015	\$2.7548	\$2.5942	\$2.9511	(N)

- d. Franchise fees and uncollectible account expense, based on the net of 2a and 2b above, and the CPUC-adopted rates for franchise fees and uncollectible expenses.
 - e. Monthly interest calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15 (<http://www.federalreserve.gov/releases/H15/data/m/cp3m.txt>), or its successor publication.
3. The balance in the memorandum account shall be amortized by a Tier 1 advice letter whenever the balance exceeds 2% of the authorized revenue requirement for the preceding calendar year. If the balance is below 2%, San Gabriel shall propose its amortization in a general rate case.
4. The memorandum account will terminate when so ordered in a CPUC general rate case decision, at which time any remaining debit (undercollection) or credit (overcollection) balance will be amortized through a rate surcharge or surcredit.

END OF APPENDIX A

PROPOSED RESOLUTION

Resolution W-5063
DWA

November 5, 2015 (Rev. 1)

SAN GABRIEL VALLEY WATER COMPANY ADVICE LETTER NO. 456 SERVICE LIST

Daniel A. Dell'Osa
Director, Rates and Revenue
San Gabriel Valley Water Company
11142 Garvey Avenue
El Monte, CA 91733-2498

Danilo E. Sanchez
Program Manager
Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102

Lisa Bilir
Supervisor
Office of Ratepayer Advocates
Lisa.Bilir@cpuc.ca.gov